



STATEMENT OF AT&T CONNECTICUT

Regarding Raised Senate Bill No. 351

An Act Concerning Telecommunications Companies' Audits and Filings

Before the Committee on Energy and Technology

March 4, 2010

Proposal:

Section One of Raised Senate Bill No. 351 would eliminate the current requirement that electronic filings with the Department of Public Utility Control (DPUC) be followed by identical paper filings within two days, except for one additional paper filing at the request of the DPUC which could be sent via U.S. Mail. Section Two of the bill would eliminate the outdated requirement that a telephone company, which is a public service company under the law, have its finances audited annually if the company operations and finances are otherwise subject to audit under federal law, while retaining DPUC authority to order an audit should they feel one is necessary.

Comments:

AT&T strongly supports both sections of Raised Senate Bill No. 351, thanks the committee for introducing the legislation, and urges its adoption.

Today, by virtue of DPUC regulation, AT&T makes electronic filings for dockets and other matters before the DPUC. However, this same regulation requires that all electronic filings be accompanied by a paper version of the filing within two days. This outdated and unnecessary requirement adds tens of thousands of dollars in additional compliance costs to AT&T alone and undoubtedly adds hundreds of thousands of dollars in total when considering the costs to all parties with business before the DPUC. These costs include both the administrative requirements related to copying and the costs of transporting the filings, which, because of filing times and deadlines for submission, are often transported to the DPUC by paid courier services. In addition, parties are required to provide paper filings for all designated parties to a docket who do not specifically agree to electronic filings, compounding the costs to AT&T and other companies. By way of example, in one recent docket before the DPUC, AT&T had to supply 88 separate filings, consisting of hundreds and hundreds of pieces of paper, to more than 190 parties to the docket. In these days of electronic commerce and communication where businesses and government are trying to do more, with less, and with more respect for the environment, AT&T believes that Senate Bill No. 351 is an environmentally friendly and cost-effective way to save money for businesses and government alike. In addition, our state's courts already not only allow electronic filings but require their submission and the New York State Public Service Commission recently adopted paperless filing requirements similar to the proposal before you.

Section 16-32 of the general statutes, which was first enacted in 1949, requires public service companies to have an annual audit of their finances. This requirement made sense and still makes sense when a public service company is not otherwise audited. However, AT&T Connecticut, for example, is part of a much larger corporation which has all of its finances

and operations otherwise audited as a requirement under various federal laws and regulations. As a result of this separate audit requirement, AT&T spends more than \$750k annually, in addition to the costs of the federal audit, to have a separate Connecticut audit performed. Connecticut is the only state, of the 22 states in which AT&T operates as an incumbent local exchange carrier, which requires such a separate audit. The legislation before you would waive this separate auditing provision for a telephone company which is also a public service company – AT&T Connecticut and Verizon – so long as the company's parent company operations were audited under federal law. The language in the proposal before you mirrors the existing law which waives the auditing provision for any telegraph or express company subject to the jurisdiction of the Interstate Commerce Commission, since they are likewise subject to audit under those rules. Additional safeguards have been included in the proposal which make clear that the DPUC can request additional information from a company which has had its separate audit waived pursuant to this proposed statute. Neighboring New York eliminated its separate mandatory audit requirements for telephone companies more than 15 years ago and, as would the DPUC under this proposal, the New York Commission retains the authority to order an audit should they feel one is needed. AT&T's auditors, Ernest and Young, LLP, have prepared the attached letter and proposed statement which makes clear that AT&T's Connecticut operations are subject to audit as part of AT&T's consolidated audit. The proposed language in Section Two of the bill will help to eliminate outdated, unnecessary and expensive requirements found in the law today while ensuring that the oversight envisioned in the law continues.

Conclusion:

AT&T thanks the committee for raising Senate Bill No. 351 and urges its adoption. Section One will eliminate requirements for paper filings before the DPUC and in doing so help to reduce costs of businesses and government in an environmentally friendly way. Section Two will eliminate an unnecessary separate auditing provision so long as a telephone company's operations are otherwise audited under federal law, while at the same time making clear the DPUC can request additional information, thereby ensuring continued oversight.



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March 1, 2010

The Honorable John Fonfara
The Honorable Vickie Nardello
The Honorable Kevin Witkos
The Honorable Sean Williams
Energy & Technology Committee

Legislative Office Building
Hartford, CT 06106

Dear Sirs and Madam:

We have been engaged to audit the consolidated financial statements of AT&T Inc. for the year ended December 31, 2009.

Our audit is conducted for the purpose of forming an opinion on the consolidated financial statements of AT&T Inc. taken as a whole. The Southern New England Telephone Company is currently a subsidiary of AT&T Inc.

If requested, we expect to be able to issue a report similar to the draft report attached to this letter for the period ended December 31, 2009, and future periods if required.

Very truly yours,

Michael A. Stoltz



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Draft for Discussion purposes

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowner of
The Southern New England Telephone Company

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of AT&T Inc. and subsidiaries for the year ended December 31, 2009, and have issued our report thereon dated February 25, 2010.

The aforementioned financial statements include, on a consolidated basis, the accounts of The Southern New England Telephone Company, a subsidiary of AT&T Inc.

This report is intended solely for your information and use in connection with a request for information by the Connecticut Department of Public Utility Control and is not intended to be and should not be used for any other purpose.

February 25, 2010